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Medicaid funds repayment mark latest sign of Washington-Tallahassee rift

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The federal government wants to recover \$267 million from Florida hospitals it says were paid too much to care for the poor. And it wants the entire amount this year — a demand that is hitting safety-net hospitals like Jackson Memorial in Miami and Tampa General hard.

“Essentially it wipes out any profit we would have next year, so that’s kind of why we’re struggling with it,” said Jackson Health System chief financial officer Mark Knight, noting the state’s largest public hospital had operated in the red for years before turning things around.

Jackson stands to lose \$47 million in Medicaid funding with this one issue. Tampa General would be out \$13.3 million.

The federal demand is the latest incident highlighting tensions between Washington and Tallahassee over how to provide healthcare to the poor. Republican legislators rejected President Barack Obama’s Medicaid expansion that would have provided health coverage for 764,000 uninsured Floridians.

But Tallahassee leaders wanted to continue receiving \$1 billion a year in Medicaid Low Income Pool payments to hospitals. They even asked Washington for more from that program.

It’s not unusual for healthcare funding to be audited and adjustments required. Justin Senior, director of the state Medicaid program, noted that \$267 million, a figure accrued over the past eight years, pales compared with the \$1 billion annual appropriation.

But the one-year repayment is a sticker shock. Hospital and state officials have asked for three years instead, and assurances that the audits are final.

But its holdout position on Medicaid expansion means Florida lacks leverage, Knight said.

“I think there is a very healthy concern in the state that Florida not moving forward with Medicaid expansion has made the feds less cooperative,” he said.

Hospitals have pleaded with members of the Florida congressional delegation, including U.S. Rep. Kathy Castor, D-Tampa, for assistance.

“Here is an example where the failure to expand Medicaid is starving our hospitals,” said Castor, who has criticized Florida leaders for rejecting Medicaid expansion at the same time they asked for more Medicaid LIP dollars. She said the latest dust-up highlights the “dark cloud over our

state” that the failure to expand Medicaid has created.

Bruce Rueben, president of the Florida Hospital Association, said the dispute highlights a philosophical difference. Under the Affordable Care Act, patients are supposed to get access to primary care to reduce their need for hospitalization. In Florida, however, emergency rooms are the only place where the uninsured are guaranteed treatment, and so that’s where people go. Then, hospitals look to the government for help with unpaid bills.

“The feds have said, ‘No, we don’t pay for uncompensated care anymore through Medicaid rates.’ So that’s a fundamental policy change and it’s a fundamental problem for Florida if Florida chooses not to extend coverage using federal dollars,” Rueben said.

Residents who would benefit from a Medicaid expansion can’t afford private insurance, but they’re not poor enough to qualify for Florida’s current Medicaid program. Politicians who oppose the expansion say they don’t feel comfortable relying on the federal government to make good on its promises to foot the vast majority of the bill. Some also don’t believe childless adults should be guaranteed coverage.

Signs of the state-federal dispute are increasing. The White House released a report Wednesday that said Florida will lose out on 63,000 new jobs — the majority in healthcare — over the next three years because it refused to expand Medicaid. Obama issued a statement accusing states like Florida of playing politics.

“I urge the governors and state legislatures who have not yet expanded Medicaid to put their constituents’ health over partisan politics and give millions more Americans the access to affordable healthcare they deserve,” he said.

Earlier this year — after a delay that went on for months — Washington agreed to let Florida go ahead with a Republican priority, requiring Medicaid recipients to get benefits through private managed care companies. But it refused another state request for additional LIP money for hospitals.

Instead, federal officials declared that after reviewing the books, they found that Florida hospitals received too much LIP money.

Senior said he is confident a compromise can be reached. But Castor is among those who don’t expect this to be the end of the tensions.

“There is much higher stakes now on those types of audits,” she said.